

## Message Text

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C O N F I D E N T I A L STATE 176059

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E.O. 11652: GDS

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SUBJECT: OFFICIAL-INFORMAL

1. THE JULY 10 PLENARY MEETING WITH DEPUTY AGRICULTURE MINISTER ZAWODZINSKI AND HIS DELEGATION WENT OFF WITHOUT SURPRISES. CONVERSATION CENTERED AROUND THE CURRENT OUTLOOKS FOR U.S. AND POLISH AGRICULTURE, THE NOW STANDARD POLISH REQUEST FOR EXTENSION OF CCC REPAYMENT TERMS, AND THE FUTURE OF US-POLISH COOPERATIVE PROGRAMS IN AGRICULTURE.

2. AFTER HEARING A RUN-DOWN OF THE U.S. AGRICULTURAL OUTLOOK WHICH GENERALLY LOOKS TOWARD AN INCREASE OF 21 MILLION TONS IN COARSE GRAINS, THE POLISH SIDE PRESENTED THEIR SITUATION. ALTHOUGH FULL STATISTICS ARE NOT YET IN, THE POLES EXPECT OVERALL PRODUCTION TO BE SOMEWHAT BETTER THAN LAST YEAR BUT ABOUT ON A PAR WITH THE YEAR BEFORE.

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THEY PREDICT A 7-PERCENT DROP IN FODDER PRODUCTION, HOWEVER, AND EXPRESSED CONCERN ABOUT PRESSURE ON FODDER STOCKS OWING TO AN EXPECTED 12-PERCENT GROWTH IN LIVESTOCK. THIS PRESENTS A SERIOUS PROBLEM FOR THE BALANCE OF PAYMENTS SINCE IT INVOLVES A CONTINUED DEPENDENCE ON FODDER IMPORTS FROM THE U.S. AND ELSEWHERE.

3. IN THEIR CONCERN TO STABILIZE THEIR SITUATION, THE POLISH SIDE EXPRESSED THE DESIRE FOR A LONG-TERM CONTRACT WITH THE U.S. IN ORDER TO ENSURE A PREDICTABLE SUPPLY OF GRAINS AND FEED GRAINS. THEY ALSO EXPRESSED THEIR DISCONTENT WITH THE CURRENT CCC REPAYMENT TERMS AND VOICED INTEREST IN PROSPECTS FOR LEGISLATION NOW BEFORE CONGRESS THAT WOULD PROVIDE AN INTERMEDIATE CREDIT FACILITY.

4. RESPONDING, US-SIDE CHAIRMAN, EDWARD SCHUH, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, EXPLAINED THAT A LONG-TERM CONTRACT SPECIFYING TRADE CONDITIONS WOULD CONTRAVENE CURRENT US POLICY AND WOULD BE UNNECESSARY SINCE THE US HAS PROVEN ITSELF TO BE A RELIABLE PROVIDER. SCHUH REITERATED THE POSITION EXPRESSED DURING SECRETARY BERGLAND'S RECENT VISIT TO POLAND THAT A REVISION OF OUTSTANDING CCC CREDITS IS IMPOSSIBLE AT THIS TIME. FOR THE FUTURE, IT WAS STATED THAT ALTHOUGH BALLOON PAYMENTS WOULD BE LEGAL, THEY ARE IMPRACTICAL SINCE THEY WOULD CURTAIL FUNDS FOR NEW LOANS.

5. AN INTERESTING NOTE WAS ZAWODZINSKI'S INQUIRY ABOUT PROSPECTIVE U.S. MARKETS FOR POLISH EXPORTS. HE INDICATED A WILLINGNESS TO GEAR POLISH PRODUCTION SPECIFICALLY TOWARDS U.S. IMPORT REQUIREMENTS AND INDICATED A DESIRE FOR FURTHER CONSULTATION ON THIS SUBJECT.

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6. THE POLISH-SIDE EXPRESSED CONSIDERABLE INTEREST IN THE CREDIT POSSIBILITIES OFFERED BY EXIM REPRESENTATIVES. THEY ASKED SPECIFIC QUESTIONS ABOUT FINANCING TERMS, SUCH AS FOR PROSPECTIVE LIVESTOCK PURCHASES AND CONSTRUCTION OF SILOS AND VEGETABLE PROCESSING PLANTS. EXIM EXPLAINED VARIOUS CONDITIONS AND LIMITATIONS ON FINANCING THESE AGRICULTURE-RELATED PROJECTS AND WAS GENERALLY ENCOURAGING ABOUT FINANCING THOSE THAT QUALIFY.

7. REGARDING AGRICULTURAL-TRAINING AND SCIENTIFIC COOPERATION, THE POLISH SIDE EXPRESSED INTEREST IN A "STATE DEPT-SPONSORED" TRAINING PROGRAM FOR A SELECT NUMBER OF SPECIALISTS. WE BELIEVE THEY WERE REFERRING TO THE INTERNATIONAL VISITORS PROGRAM. USE OF THIS PROGRAM FOR AGRICULTURAL PERSONNEL WOULD BE A VALUABLE ASSET, SINCE THE FUNDS FOR JOINT-COOPERATION UNDER PL-480 ARE ALMOST GONE. UNDER THIS PROGRAM, THE POLES WOULD PRESENT NOMINATIONS TO OUR EMBASSY, AND WOULD PAY FOR TRAVEL EXPENSES. THE POLISH DELEGATION EMPHASIZED ESTABLISHING SPECIFIC PROGRAMS FOR JOINT SCIENTIFIC COOPERATION FOR NEXT YEAR'S WORKING SESSION.

8. COMMENT: THE TALKS PROCEEDED AS ANTICIPATED WITHOUT ANY REALLY NEW ISSUES BEING RAISED. AFTER RAISING THE QUESTION OF A LONG-TERM CONTRACT AND IMPROVEMENT OF CCC CREDIT TERMS, THE POLES READILY ACCEPTED THE NEGATIVE U.S. RESPONSE. ALTHOUGH THEY REMAIN HOPEFUL THAT SOMETHING BETTER CAN BE WORKED OUT FOR THE FUTURE, THEY SEEM TO UNDERSTAND BETTER THE LIMITATIONS INVOLVED. DURING THE PLENARY SESSION AND IN SPEARATE TALKS, SUCH AS WITH BILL LUERS (SEPTTEL), THE POLES APPEARED TO BE REDUCING THEIR EMPHASIS ON THE CCC ISSUE AND STRESSING THE QUESTION OF JOINT US-POLISH COOPERATIVE PROGRAMS IN TRAINING AND TECHNOLOGY AND IN MARKET ACCESS. CHRISTOPHER

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